

## Message Text

CONFIDENTIAL

PAGE 01 BRASIL 01572 01 OF 02 080019Z

67

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 CCO-00 /031 W

----- 027505

O 072315Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 2124

C O N F I D E N T I A L SECTION 1 OF 2 BASILIA 1572

EXDIS

FOR THE SECRETARY FROM THE AMBASSADOR

E.O. 11652: GDS

TAGS: ETRD, BR

SUBJ: COUNTERVAILING DUTY ACTION

REF: STATE 045677

1. I DELIVERED YOUR LETTER TO GIBSON BARBOZA AT 3:30 PM WITH HIM WERE CARVALHO E SILVA (THE SECRETARY GENERAL) AND NOGUEIRA BATISTA (THE HEAD OF THE ECONOMIC DEPARTMENT).

2. HIS REACTIONS WERE PRECISELY AS EXPECTED. THE FIRST CAME IN HIS READING OF THE LETTER WHEN HE CAME TO THE DATE FOR THE PUBLICATION OF THE NOTICE OF PROCEEDINGS. HE EXCLAIMED: MARCH 8\*\* THAT'S TOMORROW." AFTER FINISHING THE LETTER, HE BEGAN BY SAYING THAT HE COULD NOT CONCEAL HIS GREAT SURPRISE AND DISAPPOINTMENT. HE WENT ON TO SAY THAT THE INTERVAL BETWEEN NOTIFICATION TO BRAZIL AND THE PUBLICATION OF THE ANNOUNCEMENT MEANT THAT IN EFFECT THERE WAS NO NOTICE AT ALL, A FACT WHICH MIGHT BE CONSTRUED--"AND VERY READILY CONSTRUED"--AS AN UNFRIENDLY ACT.

3. WELL-LAUNCHED, HE OBSERVED WITH SOME FORCE THAT THE ACTION MADE A MOCKERY OF YOUR STATEMENTS IN MEXICO CITY, INCLUDING THE ASSERTION OF THE EXISTENCE OF A "SPECIAL RELATIONSHIP" BETWEEN THE UNITED STATES AND THE COUNTRUIES  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 01572 01 OF 02 080019Z

OF LATIN AMERICA. IN AN ASIDE, HE COMMENTED THAT HIS

SKEPTICISM ABOUT THE "SPECIAL RELATIONSHIP" WAS NOW CONFIRMED. THE ACTION, HE INSISTED, WOULD BE INTERPRETED NOT AS BEING "AGAINST BRAZIL" ALONE BUT ALSO AGAINST ALL LDC'S AND THE LATIN AMERICANS ESPECIALLY.

4. HE DESCRIBED AS "INHUMAN" THE TAKING OF THE ACTION IN THE LAST WEEK OF THE MEDICI ADMINISTRATION, NOT BECAUSE THAT ADMINISTRATION WISHED TO PASS THE BUCK TO THE INCOMING GOVERNMENT BUT BECAUSE ALMOST ALL THE AUTHORITIES KNOWLEDGEABLE IN THE MATTER WERE LEAVING AND IT WOULD TAKE TIME FOR THE NEW TEAM TO BE BRIEFED. IN SAYING THAT THE TIMING OF THE ACTION COULD NOT BE WORSE, HE REFERRED TO THE VISIT OF MRS. NIXON. (AS HE WAS SEEING ME TO THE DOOR, HE WISE-CRACKED: "I SUPPOSE SECRETARY SHULTZ DOES KNOW MRS. NIXON IS COMING TO BRAZIL?" I DID NOT RPT NOT RESPOND.)

5. IN REPLYING TO A STATEMENT BY ME, MADE IN THE COURSE OF HIS FIRST REMARKS, THAT I BELIEVED THAT THE DECISION TO ANNOUNCE THE BEGINNING OF PROCEEDINGS HAD BEEN TAKEN MOST RELUCTANTLY AND THAT I DEDUCED THAT THE LEGAL AND LEGISLATIVE PRESSURES HAD BECOME IRRESISTIBLE, GIBSON BARBOZA SAID THAT HE SIMPLY COULD NOT UNDERSTAND HOW, IN THE LIGHT OF HIS DISCUSSIONS WITH YOU, THE PRESSURES COULD NOT HAVE BEEN RESISTED FOR TEN DAYS OR TWO WEEKS.

6. I STRESSED TO GIBSON THE FACT THAT, AS YOUR LETTER POINTED OUT, THE INITIATION OF THE PROCEEDINGS DID NOT IN ANY WAY PREJUDGE THE FINAL DECISION AND THAT THE GOB WOULD HAVE EVERY OPPORTUNITY TO PROVIDE INFORMATION IN THE TREASURY INVESTIGATION. HE REPLIED THAT THE VERY FACT OF THE ANNOUNCEMENT OBLIGED THE GOB TO TAKE ACTION, WHAT ACTION THAT MIGHT BE HE COULD NOT SAY AT THE MOMENT.

7. IN REBUTTING GIBSON'S REMARKS, I POINTED OUT EMPHATICALLY THAT THE RECORD WOULD SHOW THAT THE USG HAD BEEN URGING, ALMOST IMPORTUNING, THE GOB TO SIT DOWN AND DISCUSS THE MATTER SINCE THE NAIROBI MEETING IN SEPTEMBER 1973 (CARVALHO E SILVA VOLUNTEERED THAT SECRETARY SHULTZ HAD TOLD HIM AT THE TOKYO MTN MEETING THAT HE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 01572 01 OF 02 080019Z

WAS GOING TO DISCUSS THE MATTER WITH FINANCE MINISTER DELFIM NETO IN NAIROBI). NOTING THAT OVER THAT SIX-MONTH SPAN WE HAD RECEIVED NO POSITIVE RESPONSES FROM THE GOB, I SAID THAT I WAS COMPLETELY SATISFIED THAT WE HAD MADE UNMISTAKABLY CLEAR TO THE BRAZILIAN SIDE THE NEED TO ADDRESS THIS POTENTIALLY SERIOUS PROBLEM. I COULD NOT SAY, I CONTINUED, THAT A FAVORABLE BRAZILIAN RESPONSE AND CONSEQUENT DISCUSSIONS WOULD HAVE FORE-

STALLED THE EVENTUAL TAKING OF THE ACTION NOW BEFORE US, BUT I CERTAINLY BELIEVED THAT THE LEGAL AND LEGISLATIVE PRESSURES I HAD REFERRED TO EARLIER WOULD HAVE BEEN RELIEVED AND THE TIMING OF THE ACTION AFFECTED IF THE GOB HAD MET OUR REPEATED REQUESTS FOR DISCUSSIONS.

8. INTERESTINGLY ENOUGH, NEITHER GIBSON BARBOZA NOR CARVALHO E SILVA RESPONDED TO THIS POINT. NOGUEIRA BATISTA, WHO HAS BEEN THE FOREIGN MINISTRY ACTION OFFICER ON THE SUBJECT, ARGUED THAT IT HAD BEEN ONLY VERY RECENTLY THAT THE GOB UNDERSTOOD CLEARLY THAT WE WERE PREPARED TO HAVE AS THE SUBJECT MATTER OF THE TALKS THE SHOE QUESTION AND NOT THE "TOTALLY UNACCEPTABLE" QUESTION OF THE ENTIRE BRAZILIAN SYSTEM OF EXPORT SUBSIDIES, AS SECRETARY SHULTZ HAD DESCRIBED THE THEME OF THE PROPOSED TALKS. I REPLIED THAT I REALLY COULD NOT ACCEPT THAT ARGUMENT INASMUCH AS THE PROPOSAL FOR MORE NARROWLY DEFINED DISCUSSIONS ON A TECHNICAL LEVEL WENT BACK TWO MONTHS AT LEAST AND HAD BEEN ADVANCED AFTER A TWO-MONTHS' DELAY BY THE BRAZILIAN AUTHORITIES IN EVEN RESPONDING TO THE HENNESSY LETTER OF OCTOBER. MOREOVER, I SAID, THE FACT THAT WE HAD BEEN READY TO LIMIT THE SCOPE OF THE DISCUSSIONS DEMONSTRATED OUR STRONG DESIRE TO GET SOMETHING GOING.

9. IN CONCLUDING THE MEETING, GIBSON BARBOZA ASKED ME WHETHER THERE WAS ANY CHANCE THAT THE PUBLICATION OF THE NOTICE COULD BE DELAYED. I TOLD HIM THAT, ON THE BASIS OF MY CONVERSATION WITH JACK KUBISCH, I REGRETFULLY HAD TO SAY THAT THERE WAS NO CHANCE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRASIL 01572 02 OF 02 080009Z

67

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 CCO-00 /031 W

----- 027373

O 072315Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 2125

C O N F I D E N T I A L SECTION 2 OF 2 BRASILIA 1572

EXDIS

FOR THE SECRETARY FROM THE AMBASSADOR

10. COMMENT: AS I TOLD KUBISCH, MY IMMEDIATE CONCERN IS THE EFFECT OF THIS VERY DISAGREEABLE NEWS ON THE GENERAL ATMOSPHERE FOR MRS. NIXON'S VISIT. I AM, OF COURSE, NOT TALKING ABOUT HOSTILITY ON THE PART OF THE GOB OR ANYTHING APPROACHING HOSTILITY. I DO EXPECT THAT, CONTRARY TO THE EARLIER BRAZILIAN FEELING OF PRIDE AND SATISFACTION IN THE VISIT, THERE MAY WELL BE A CERTAIN COOLNESS, PERHAPS FIRST MANIFESTED IN BRAZILIAN REFUSAL OR DELAY IN APPROVAL OF SOME "SPECIAL TREATMENT" PROPOSALS WE HAVE PENDING WITH THE GOB, E.G., THE RECEPTION OF MRS. NIXON AT THE AIRPORT BY PRESIDENT MEDICI AND FAREWELLS TO HER AT THE AIRPORT BY PRESIDENT GEISEL. I WANT TO EMPHASIZE THAT THE BRAZILIAN AUTHORITIES WILL BE CORDIAL AND GRACIOUS, BUT FORMALITY MAY TAKE THE PLACE OF ENTHUSIASM.

11. BEYOND THE IMPORTANT CONSIDERATION OF THE ATMOSPHERE SURROUNDING THE VISIT, I BELIEVE THAT ANOTHER SHORT-TERM CONSEQUENCE IS THAT THE BLOOM IS OFF THE MEXICO CITY ROSE (SEE MY BRASILIA 1560). THE NATURE OF THE GOB PUBLIC REACTION TO THE ANNOUNCEMENT TOMORROW WILL GIVE US AN INDICATION OF THE LONGER-TERM EFFECTS.

12. ACTION REQUESTED: I SUGGEST THAT, IN ORDER TO ATTENUATE THE SHORT-TERM CONSEQUENCES AS MUCH AS POSSIBLE, (A) THE TREASURY SPOKESMAN'S COMMENT ON THE ANNOUNCEMENT  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 01572 02 OF 02 080009Z

BE COUCHED AS POSITIVELY AS THE REALITIES PERMIT; (B) YOU YOURSELF MAKE A STATEMENT THAT SOUNDS POSITIVE; (C) SOME ASSUAGING REFERENCE TO THE MATTER BE INCORPORATED IN THE LETTER FROM THE PRESIDENT TO PRESIDENT GEISEL THAT I UNDERSTAND FROM PROTOCOL MRS. NIXON WILL BE BRINGING; AND (D) YOU SEND GIBSON BARBOZA A LETTER QUICKLY TAKING HIM INTO YOUR CONFIDENCE, IF YOU CAN, ABOUT THE REASONS FOR THE TIMING. IT WOULD BE A SHAME TO HAVE THE EXCHANGES WITH HIM THAT HAVE BEEN SO USEFUL TERMINATE ON THE PRESENT Jangling NOTE.  
CRIMMINS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, POLICIES, DIPLOMATIC DISCUSSIONS, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BRASIL01572  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** P740141-0350  
**From:** BRASILIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740359/aaaaccyw.tel  
**Line Count:** 216  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUL 2002 by elyme>; APPROVED <28 JAN 2003 by GolinoFR>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** COUNTERVAILING DUTY ACTION  
**TAGS:** ETRD, BR, XM, US, (GIBSON BARBOZA), (NOGUEIRA BATISTA)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005